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BEFORE THE SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C.

STB EX PARTE NO. 582 (SUB NO. 1)  
MAJOR RAILROAD CONSOLIDATION PROCEDURES

VERIFIED STATEMENT  
OF  
MICHAEL R. JOHNS

Office of the Secretary  
MAY 16 2000  
Part of  
Public Record

This statement should be construed to be the jointly filed statements of the Chillicothe-Brunswick Rail Authority (a shortline railroad serving stations in Linn, Livingston, and Chariton Counties, Mo.) and the Green Hills Regional Planning Commission, an eleven county substate planning and development district created pursuant to Revised Statutes of Missouri Chapter 251, and operating as a federally designated Economic Development District under Public Law 105-393(203). Our comments will be framed as 1). a shortline common carrier by rail serving rural communities abandoned by Class I Railroads in the 1980's and 2). as a multi-county rural development and planning organization devoted to the public purposes of enhancing community redevelopment potential, increasing the growth of commerce and industry in our service territory, and promoting better conditions in communities we serve for the residents of north-central Missouri.

Shortline Railroad Concerns: In the instant proceeding, the Chillicothe-Brunswick Rail Authority desires to express its concerns about the general direction and trends evident in the railroad industry, trends which we feel discriminate against shortlines and rural shippers. The Chillicothe-Brunswick was organized as a STB Class III Common Carrier in 1986, and began operations that year as a shortline carrier serving trackage abandoned by Norfolk Southern RR. (the southernmost 37 miles of the former NS Omaha, NE. branch line) and shippers at Chillicothe, Mo. left without rail service by virtue of the Burlington Northern abandonment between Laclede, Mo. and St. Joseph, Mo., approved in 1983. We have operated this shortline since 1986, carrying or receiving traffic with NS at Brunswick, Mo., with BNSF at Sumner, Mo., and we constructed an interchange with I & M Rail Link at Chillicothe, Mo. in 1995. We have made various investments in our operation over time, constructing an interchange with BN in 1987 at Sumner, and building a team track into a terminal grain elevator at Brunswick, Mo. in 1997, ostensibly to originate multi-car grain shipments off our line to go to BNSF destinations. In 1994 and in 1999, we constructed additional spur trackage totalling 3,900 track feet into two new customers at the Chillicothe, Mo. Industrial Park (Wire Rope Corporation of America and Bond Cold Storage). Our traffic base consists of grain, scrap metals, coiled steel rods, stoker coal, frozen meats, and building materials (primarily particle board).

We are concerned about the continuing wave of railroad industry mergers and consolidations because of the general trend we see confronting the industry where super large carriers are sometimes "indifferent" to the shortline attempting to attract new customers on line, where traffic increases of a car or two per week might not interest the Class I carrier, but are extremely important to us. We are also concerned about the perceived tendency for Class I carriers to adopt pricing strategies for grain that discriminate against the shortline and its on-

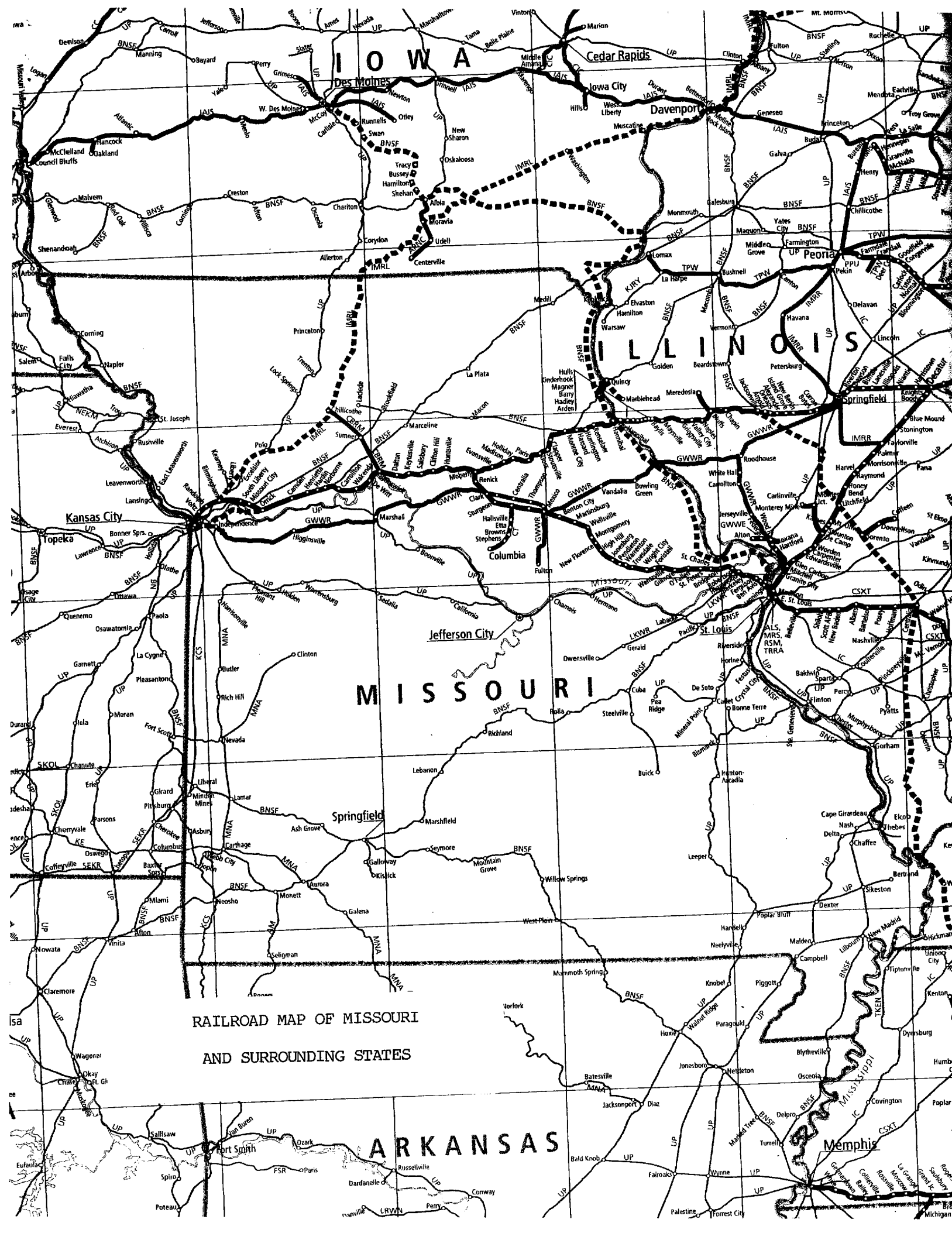
line customers, with representatives of Class I carriers being so brazen as to contact the grain merchandiser with a facility located on our line and encouraging him to by-pass the shortline by trucking to another facility they own 32 miles distant on the Class I carriers mainline. We know of no service or pricing matter that would justify this action on the part of the megacarrier.

In 1995, the ICC approved a merger of the Santa Fe Ry and the Burlington Northern, which merger brought inquiries from us about the parallel lines operated by the two carriers through our territory. We were assured that the ATSF/BN merger would not affect our operations as a result of the merger. We are now told that the line we interchange with the BNSF over at Sumner, Mo. is a candidate for rationalization due to the traffic having been moved off from this line to the former ATSF double track mainline through Marceline, Mo. Thus, we stand to lose our capability to interchange with BNSF at Sumner, Mo. due to a past merger. If we were to lose our interchange with BNSF at Sumner, we have received verbal assurances that we could possibly interchange with the merged BNSF system at a location 27 miles distant from our current operating interchange. The addition of another 27 miles of track operating responsibility would likely bring with it another 125 carloads of rail traffic per year off the added trackage, not nearly enough additional traffic to offset the higher costs of operating and maintaining an access to interchange with BNSF. This will work a hardship on the Chillicothe-Brunswick if we are forced to add trackage to reach an interchange point without corresponding levels of rail traffic to help defray costs associated with the added trackage.

A logical outcome of another round of mergers will be the development of transcontinental railroads with BNSF possibly merging with NS and UP merging with CSX. We would note that a merger of BNSF and NS would probably negate the need for the southernmost 16 miles of our shortline.

Our other interchange is with the I & M Rail Link at Chillicothe, a rail line that we consider to be a valued partner but which we are concerned about being folded into the Union Pacific family and partially abandoned due to consolidation of parallel lines. Under this scenario, UP would divert traffic off the IMRL onto the former Rock Island mainline between Kansas City, Mo. and the Des Moines, Iowa (the "Spine Line") by way of re-constructing a 13 mile interconnection between the railroads between Seymour, Iowa and Allerton, Iowa. We have been told that an action is or soon will be pending before the STB to seek whatever regulatory approvals may be needed to re-construct this former Rock Island track segment, abandoned since 1980, but now being re-surveyed, acquired by UP and for which engineering is underway. This would allow UP and IMRL to access Kansas City via the Spine Line, and eliminate the former Milwaukee/Soo trackage between Seymour, Iowa and Polo, Mo., which trackage carried mostly overhead or bridge freight and originated or terminated very little traffic outside Chillicothe, Mo. Thus, we fear the loss of our Chillicothe, Mo. interchange with IMRL if the Union Pacific were to continue to develop an ownership interest in the IMRL regional carrier.

Comments of Green Hills Regional Planning Commission: Access to railroad service is an important industrial and community development component. In northern Missouri, we have witnessed a gradual growth in industry at Chillicothe, which growth is directly attributable to the presence of a shortline carrier providing customized rail switching services and having access to competitive Class I Carrier interchange points. If we continue to witness mergers of mega carriers, we fear the loss of transport competition, the loss of interchange points, greater rural isolation of communities and agribusinesses, and consequently, more freight moving on



RAILROAD MAP OF MISSOURI  
AND SURROUNDING STATES

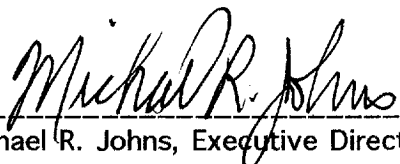
our lightly built and inadequate highway network with greater cost to customers and less energy efficiency. This exit of the railroad option from rural communities decreases highway safety, increases taxes on motorists and state and local governments, and adds to congestion on highways and greater levels of air pollution in nearby cities such as Kansas City, St. Louis, and Des Moines, Iowa. The loss of rail service through merger-related line consolidations, plus changes in pricing and Class I carrier service and equipment decisions can make our rural communities less attractive for industrial and agri-business development. The loss of lines through consolidation will diminish the area property tax base and lead to the loss of jobs.

Conclusions and Suggested Relief: The undersigned suggests the following responses to the continuing trend in the railroad industry leading toward major consolidations and mergers.

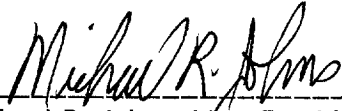
1. The STB should take more active roles in hearing cases that come before it relating to complaints of shippers and shortlines concerning such matters as pricing, car availability, service reliability, transit times, and access to interchange points.
2. In cases where rural regions lose rail service due to merger related line consolidations, the STB should be given the legislative authority to cause the merging Class I carrier to grant trackage rights to a shortline or regional carrier, or a unit of local or state government to acquire trackage for lease to a shortline or regional carrier, so as to protect the interests of the public at costs that can be reasonably borne by the affected units of local government, state government, or by a shippers association or shortline or regional railroad.
3. A transcontinental railroad is not necessary to protect the public interest, nor to provide efficient rail services. Operating agreements between eastern carriers and western carriers to provide "seamless" service can accomplish the same results while preserving competition in the Midwest and other geographic areas of territorial "overlap".
4. The STB needs to be more proactive in promoting rail freight and in encouraging public investments in railroad properties so as to divert tonnage off of our highway systems and onto railroad systems to protect the environment, promote highway safety, enhance air quality in metro areas, and reduce highway maintenance expenses. We have too many trucks on our highway and freeway systems resulting in a serious deterioration in both the highway system and the railroad system brought on by the disproportionately large public subsidy being provided de facto to the trucking industry.

Respectfully submitted,

Green Hills Regional Planning Commission  
909 Main Street  
Trenton, MO 64683  
660/359-5636  
telefax 660/359-3096

  
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Michael R. Johns, Executive Director

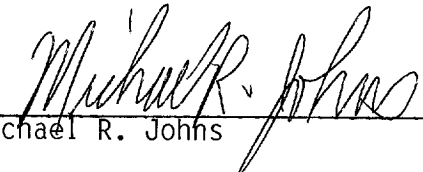
Chillicothe-Brunswick Rail Authority, Inc.  
#1 Elm Street  
Chillicothe, MO 64601  
Telefax - 660/646-5561

  
\_\_\_\_\_  
Michael R. Johns, Vice President/General Manager

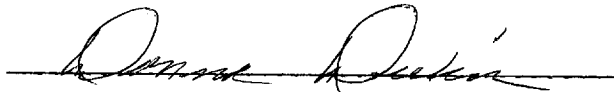
VERIFICATION

STATE OF MISSOURI )  
                              )  
                              ) SS.  
                              )  
COUNTY OF GRUNDY )

Michael R. Johns, being duly sworn, deposes and says that he has read the foregoing document and knows the contents thereof, and that all matters set forth therein are true and correct.

  
\_\_\_\_\_  
Michael R. Johns

Subscribed and sworn to before me this 13th day of May, 2000.

  
\_\_\_\_\_  
Notary Public

My Commission expires \_\_\_\_\_.

**DONNA DIVEN, Notary Public**  
**State of Missouri, Grundy County**  
**My Commission Expires March 12, 2002**

**CERTIFICATE OF SERVICE**

I hereby certify that I have served the forgoing on all know parties of record on the Service List on this the 16th day of May, 2000, by fist class U.S. mail postage prepaid.

  
\_\_\_\_\_  
John D. Heffner